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Given the *Journal's* use as a teaching tool, articles most likely to be accepted are those which deal with pragmatic aspects of public sector auditing. These include case studies, ideas on new audit methodologies or details on audit training programs. Articles that deal primarily with theory would not be appropriate.

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Contents

1	Editorial
3	News in Brief
7	Fight Against Corruption
10	Natural Disaster Assistance Projects
13	Audit Profile: Georgia
16	Reports in Print
17	Inside INTOSAI

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Public Debt Committee Reaches Out to Share Knowledge and Expertise

By Mr. Arturo Gonzalez de Aragon, Auditor General of Mexico and Chairman of INTOSAI's Public Debt Committee



Mr. Arturo Gonzalez de Aragon

It is a pleasure to have been asked to write this editorial for the *Journal*, and I welcome the opportunity to share my thoughts about the work of INTOSAI's Public Debt Committee (PDC), which I am honored to chair. With a decade of work behind it, the PDC has embarked on a new course of action that includes partnerships with other organizations and a region-based training plan. It is my hope that our experiences will be of interest and value to *Journal* readers.

Since its creation in 1991, PDC has developed and published a variety of guidelines to encourage the proper reporting and sound management of public debt. At its meeting in June 2002 in Stockholm, PDC took stock of these accomplishments and agreed to broaden its work by beginning to build regional networks of debt expertise to help INTOSAI members strengthen their capacity to conduct audits of public debt.

The core of the plan adopted in Sweden is focused on training, research, and international collaboration. The committee members adopted the following objectives: (1) to prepare selected technical guidance for conducting public debt audits, (2) to promote the dissemination of technical documents among INTOSAI members, and (3) to enhance technical and professional SAI expertise by offering debt-related training programs organized by regions and designed in collaboration with other INTOSAI members, the INTOSAI Development Initiative (IDI), and international organizations with subject matter expertise in public debt.

These objectives support two central, time-honored goals of INTOSAI, namely, to build the professional capacity of SAIs through training and to encourage SAIs to expand their collaborative efforts to share knowledge with each other and with the accountability community worldwide. Operationally, PDC referred to elements of the draft INTOSAI strategic planning framework to work more effectively with regional groups, expand the use of technology in disseminating expertise on debt issues, and collaborate with international organizations that share similar interests as INTOSAI. The PDC decisions in Stockholm also support the committee's work plan to enhance financial and value-for-money audits of public debt, which was adopted at the INTOSAI Congress in Korea last year.

PDC anticipated these objectives by inviting representatives of IDI and representatives of the United Nations Conference on Trade and Development (UNCTAD) to the Stockholm meeting to discuss areas of mutual interest and potential collaboration. This effort builds on the success of an existing partnership with the World Bank that, in 2000, resulted in a jointly sponsored seminar hosted at the World Bank that brought together debt managers and debt auditors to discuss common issues and challenges. The 2002-2004 PDC program approved in Sweden will emphasize providing training regionally, conducting specific research to fill gaps in debt audit guidance, and forming partnerships with IDI and other organizations that have the infrastructure to deliver training regionally.

In order to accomplish this ambitious program, PDC plans to create a network of debt auditors, experts, and trainers in INTOSAI's seven regional working groups. This network will facilitate knowledge sharing by identifying specific training needs and debt experts in each region. The following committee members have agreed to assess training needs in their respective regions in the coming months: Zambia (AFROSAI), Jordan (ARABOSAI), Korea (ASOSAI), United Kingdom (EUROSAI), Mexico (OLACEFS), and Fiji (SPASAI). In addition, Mexico is planning to offer a pilot training seminar for OLACEFS members, and discussions are currently under way with the World Bank regarding financial support for the seminar.

In order to better assess training needs of SAIs, develop materials on debt issues, and identify experts in each region, PDC is working closely with IDI's general secretariat in Norway, which as *Journal* readers know, has been implementing a strategic plan for delivering training to SAIs in each region.

PDC has been communicating with multilateral organizations that provide training to debt managers in low-income and middle-income countries. Building on the partnership model used for the joint seminar with the World Bank in 2001, PDC is making plans to work jointly with the Commonwealth Secretariat in London and UNCTAD in Geneva to deliver training to groups that include auditors from SAIs and debt managers from governments.

In the last decade, PDC has held 19 meetings and has produced guidance on conducting debt audits and background studies on fiscal commitments and fiscal indicators. The guidance documents have been produced to help auditors define public debt liabilities, examine internal controls in debt management, and recommend reporting standards for public debt. At this time in the committee's history, it may be useful to summarize the principal PDC documents that have already been published in the five INTOSAI languages.

1. *Guidance on Definition and Disclosure of Public Debt.* This provides detailed guidance on two issues: definition of public debt and disclosure of public debt. It helps provide a better understanding of this complex aspect of public finance.

2. *Guidance for Planning and Conducting an Audit of Internal Controls of Public Debt.* This guide merges two studies—one concerning performance auditing of public debt management and the other concerning public debt internal controls. The document provides a set of audit, economic, budgeting, and financial concepts and indicators that are used in assessments of debt operations.

3. *Guidance on the Reporting of Public Debt.* This guide covers the following issues about public debt: the role of the SAIs in reporting public debt, general guidance on its definition, identifying and measuring public debt, and general guidance on its disclosure. This document identifies a number of factors that SAIs should consider in making judgments as to the nature and extent of their examinations and reports on public debt.

In addition, PDC has also produced papers on fiscal commitments and indicators of fiscal risks to increase the SAIs' ability to track fiscal programs that have triggered unexpected debt increases. These PDC products are: *Public Debt Management and Fiscal Vulnerability: The role for SAIs* and *Fiscal Claims: Implications for Debt Management and the role for SAIs*. These documents are posted on PDC's Web site (<http://www.intosaipdc.org.mx>) and on INTOSAI's Web site (<http://www.intosai.org/>).

PDC will continue its research efforts to produce guidance that fills the knowledge gap of debt auditors and can be used for training purposes as well. Specifically, the SAIs of Canada, the United Kingdom, and the United States will collaborate in the production of a new guide to help SAIs perform substantive tests in public debt audits. In order to ensure that the results of research efforts are widely available in the seven regional associations of INTOSAI, the committee will consider adopting the following tools in a long-term capacity building plan: (1) creating a database of best debt management and auditing practices, (2) developing regional plans for sharing technical expertise, (3) expanding the committee's Web site to establish a live chat room for SAIs to use for discussing debt and audit issues with other SAIs, consultants, and others, and (4) developing a continuous training schedule of debt management and auditing courses to sustain the debt audit capacity in countries that suffer high personnel turnover rates in debt and audit offices and to update all SAIs about current development in the area of public debt.

I would like to express my appreciation to the PDC members—Argentina, Canada, Chile, Egypt, Finland, Gabon, Fiji, Jordan, Korea, Lithuania, Mexico, Portugal, Russia, Sweden, the United Kingdom, the United States of America, Yemen, and Zambia—for their hard work and continuing dedication to the committee's goals. I assumed chairmanship of the committee upon my election as Auditor General of my country by the Mexican Congress earlier this year, and it was clear to me that PDC was an active committee with an excellent track record. I pledge the continued support of the Mexican SAI during my term, and look forward to working with all INTOSAI members and our international partners as we strive to improve accountability in our countries. ■

News in Brief

Bolivia

International Quality Certification Awarded to General Audit Office

The General Audit Office of the Republic of Bolivia has been awarded the International Quality Certification based on the ISO 9002 international standard in acknowledgement of the quality, continuous improvement, and excellence in its work. The General Audit Office is the first audit institution in Latin America, and one of few in the world, to have been awarded this certification.

To obtain the certification, an organization must define, develop, implement, document, and maintain a quality system according to an international standard. Subsequently, a duly qualified independent agency performs an audit to determine whether the quality system complies with the requirements laid down by that international standard.

The General Audit Office of Bolivia adopted a quality policy and established, within its organizational processes, procedures, and resources, the essential structure necessary to maintain quality management that would lead to certification.

The certification covers all the offices procedures related to audit and assessments, and applies both to the main office and the nine departmental directorates. The system is designed to guarantee conformity to requirements in such areas as internal planning mechanisms, adequate costs for person-hours employed for each individual product, and compliance with the various standards governing audit work.

This international endorsement of the General Audit Office's processes is particularly important given the reform and modernization process being implemented in the Bolivian government.

For further information, contact: Contraloría General de la República, Casilla Postal 432, La Paz, Bolivia; fax: ++591 (2) 811 35 21; e-mail: cgr@ceibo.entelnet.bo.

Iceland

National Audit Office 2001 Annual Report Highlights Accounts and Performance Audits

The Icelandic National Audit Office's (INAO) Annual Report 2001 highlighted the activities of the activities of INAO's Divisions of Financial and Performance Audits.

Financial audits of agencies and state-owned companies constitute INAO's single largest task. The Division of Financial Audits November 2001 report of the central government's accounts for 2000 drew attention to:

- the increase in the liabilities of the State Treasury by almost ISK 30 billion in 2000;
- the rise in pension obligations, which comprised almost ISK 26 billion of the 2000 increase;
- the fact that pension obligations increased by about ISK 68 billion, or 72 percent, in the previous 3 years;
- the failure of many agencies to heed their appropriations; and
- the accumulation, in several cases, of unused appropriations over several years.

The Division of Performance Audit published 10 reports in 2001, and 7 reports—on subject areas ranging from the Ministry of Health and Social Security, the Ministry of Finance, and the Ministry of Culture and

Ecclesiastical Affairs—in 2000. In 2001, the division also (1) published the results of an audit of the computer systems of 26 upper secondary schools and (2) prepared guidelines (to be published in 2002) for state-sector employees and managers on how to ensure the reliability of data in information systems.

For further information, contact: Ríkisdendurskodun, Skulagata 57, 150 Reykjavik, Iceland; fax: ++354 (5) 62 45 46; email: postur@rikisend.althingi.is; Web page: <http://www.rikisend.althingi.is>.

Indonesia

Audit Board Disclaims an Opinion on the State Budget Accountability Report

For the first time in its history, the Audit Board of Indonesia has disclaimed an opinion on the State Budget Accountability Report, in this case for the 1999–2000 State Budget. As a result, Parliament has the option to reject the report, a very different position from the one it has routinely taken in previous years.

The Audit Board informed the government that the 1999–2000 financial statement contains many weaknesses that had been identified for years without being corrected. These weaknesses included the following.

First, not all ministries and government agencies use the government accounting system. As a result, the Minister of Finance prepared the State Budget Accountability Report based on incomplete financial data prepared by the Bureau of Finance in each Ministry and by Treasury Offices of the Ministry of Finance. This method of constructing the Accountability Report is based upon a 1979 agreement between the Ministry of Finance,

Parliament and the Audit Board. However, the Minister of Finance has not yet documented the regulations and procedures used to write the annual financial statement.

Second, the Directorate of Treasury Administration and the Directorate of Cash Operations are not coordinating their operations. As a result, data are sometimes reentered.

Third, the internal control system over budget implementation continues to have many weaknesses, including

- inadequate separation of duties related to authorization and ordinance in the Directorate General of the Budget;
- insufficient clarifications of weaknesses in the issuing of payment letters;
- unverified payments for some government expenditures involving tax restitution, duties, excise and the distribution of land tax revenues; and
- use of budget code numbers that differ from those specified by the Budget Act.

Fourth, compliance with existing rules and manuals related to budget functions was lax. For example, the central office of the Directorate General of the Budget continued to make direct payments to third parties without deducting tax.

Based on these observations, the Audit Board required the government to consider previous recommendations and audit findings to improve the quality of the data in the State Budget Accountability Report in the future.

The government in office at the time the Audit Board refused to opine had implemented only half of the April 1999-March 2000 state budget, which had been approved by Parliament during a previous administration. Consequently, the Minister of Finance strongly appealed to Parliament not to reject the State Budget Accountability Report. He also said that the weak accounting system and the poor transparency in the

implementation of the 1999-2000 budget had been caused by the system inherited from earlier governments. The Director General of the Budget informed Parliament that the government would adopt a more widely accepted accounting system starting in 2002.

For more information, contact: Badan Pemeriksa Keuangan, J1, Jend Gatot Subroto 31, Jakarta 10210, Indonesia; fax: ++62 (21) 572-0944; e-mail ketua@bpk.go.id; web page: <http://www.bpk.go.id>.

Japan

New President of Board of Audit

Mr. Tsutomu Sugiura, the most senior commissioner of the Audit Commission of the Board of Audit of Japan, was appointed as President on August 2, 2002, by Prime Minister, Junichiro Koizumi. He succeeded Mr. Akira Kaneko, who retired in July.



Mr. Tsutomu Sugiura

Mr. Sugiura, who joined the Board as a commissioner in February 1997, had been Vice-Minister of the Management Coordination Agency, which is responsible for administrative inspection inside the government of Japan.

Mr. Muneharu Otsuka was appointed a Commissioner of the Audit Commission in July 2002. Mr. Otsuka had been a professor on the faculty of accounting at Waseda University in Tokyo and had also held positions in various government advisory boards. He is the second person with an academic background who has been appointed as a Commissioner.

For more information, contact the Board of Audit, 3-2-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-8941, Japan; fax: ++81 (3) 3592-1807; e-mail: liaison@jbaudit.go.jp; website: <http://www.jbaudit.go.jp/engl>.

New Zealand

Controller and Auditor-General Issues Report on Local Authority Involvement in Economic Development Initiatives

An August 2002 study by New Zealand's Controller and Auditor-General offers leaders of local authorities suggestions on successfully directing and managing economic development issues. In particular, the report provides information on how to (1) develop an economic development strategy, (2) manage risks, and (3) measure results.

The practices recommended in the study are based on the experiences of 11 local authorities that participated in the study. Because each local authority faces a unique range of circumstances in successfully managing an economic development initiative, the report stresses that no single "template for success" is possible; rather, individual authorities will need to determine which practices will best meet their circumstances.

The report found that local authorities have implemented a wide variety of initiatives to increase employment and community wealth. While local authorities tend to focus on potential windfalls, projects also carry economic risks. To this end, the report stressed the importance of information-sharing between local authorities about their experiences with specific economic development initiatives. It also emphasized that success needn't involve big risks; study participants achieved positive outcomes from low-cost, low-risk projects.

Furthermore, the report found that risks and costs declined when local authorities used a "facilitation" approach rather than making direct investments or delivering services

themselves. However, facilitation reduces the local authority's influence over the direction of the development initiative and increases the difficulty of measuring its benefits. The report also found that authorities that successfully used the direct approach avoided ongoing risk by shifting day-to-day operational responsibilities to another party.

Finally, the report recognized the difficulties small rural local authorities may face in obtaining and retaining the needed in-house expertise and skills. Such authorities should consider avoiding high-risk initiatives or seek to establish a policy of sharing expert resources with other smaller authorities.

For additional information, contact: Office of the Controller and Auditor-General, Head Office, Level 7, 48 Mulgrave Street, Wellington 1, New Zealand; fax: ++64 (4) 917 15 45; email: oag@oag.govt.nz; Web page: <http://www.oag.govt.nz>.

Swaziland

New Auditor General Appointed

Robert Jabulani Dlamini was appointed Auditor General of the Kingdom of Swaziland on May 14, 2002, and brings to the position a wealth of experience. He entered government service in the Office of the Auditor General in 1970. He studied public sector audit and accounting at the Chartered Institute of Public Finance and Accounting in the United Kingdom and is a full member of the Southern African Institute of Government Auditors. The Institute for Public Finance and Auditing registered him as a Public Sector Accounting Technician in July 2000. He served on the board of external auditors for the Organization of African Unity (OAU) for five years. In 1993, he was appointed a member of the external auditors of the African Organization of Supreme Audit Institutions (AFROSAI). In 2000, he served with a team of experts as a consultant on the introduction of stores accounting and management and review of the OAU's financial and administrative management system.

Mr. Dlamini's priority as Auditor General is to see that the office becomes autonomous. An audit bill to address this issue is pending. He would also like to further strengthen the audit office and to conduct more performance audits. He has initiated auditing of public enterprises; an audit of the Swaziland Television Authority Enterprise began in June 2002.

The Public Accounts Committee (PAC) deliberated Mr. Dlamini's first annual report as Auditor General during June and July 2002. It covered the mandate of the Auditor General, the scope of audit and accounting policies, comments about the Audit Bill of 1998, and general observations. It also related audit findings that need the attention of the PAC and included portions from a performance audit report on the mechanization unit and the tractor hire pool service.

For further information, contact: Office of the Auditor General, P.O. Box 98, Mbabane, Swaziland; fax: ++404-2839; e-mail: auditorgeneral@realnet.co.sz.

Turkey

New President of the Court of Accounts

On May 22, 2002, the Turkish Grand National Assembly (Parliament) elected Mr. Mehmet Damar as the 33rd President of the Court of Accounts. His predecessor, Prof. M. Kamil Mutluer, retired on June 15, 2001.

Born in 1949, Mr. Damar graduated from the Ankara Academy of Economic and Commercial Sciences in 1970 and started his career at the Turkish Court of Accounts as an Assistant Auditor in 1974. He worked with various audit groups as an auditor, senior auditor, and principal auditor until he was elected by Parliament as a Member of the Court in 1990. He served as a member of the Court from 1990 until his appointment as President.

For further information, contact: Turkish Court of Accounts, Sayistay Baskanligi, 06100 Ulus Ankara, Turkey;

fax: ++90 (312) 310 65 45; e-mail: saybsk3@ttnet.net.tr.

United States of America

New Auditor Independence Requirements and Guidance Issued

On January 25, 2002, the U.S. General Accounting Office (GAO) issued significant changes to Government Auditing Standards related to auditor independence. The changes substantially altered the previous standard, especially regarding nonaudit, or consulting services. In issuing the new standard, Mr. David M. Walker, the Comptroller General of the United States and head of GAO, stated that protecting the public interest and ensuring public confidence in the independence of auditors of government financial statements, programs, and operations, both in form and substance, were the overriding considerations. The Comptroller General also urged the American Institute of Certified Public Accountants to raise its standards to those contained in Government Accounting Standards.

Commonly referred to as the "Yellow Book," Government Auditing Standards were first published in 1972 and cover federal entities and those organizations receiving federal funds. Various laws require compliance with these standards in connection with audits of federal entities and funds. Furthermore, many states and local governments and other entities, both domestically and internationally, have voluntarily adopted the standards.

Because of the new independence standard's significant effect on audit organizations, when GAO issued the standard, it indicated plans to provide further guidance to assist in its implementation. Therefore, on July 2, 2002, the Comptroller General announced the release of this important guidance. It responds to questions related to the independence standard's effective date, implementation time frame, underlying concepts, and application in specific nonaudit circumstances.

In releasing this guidance, the Comptroller General emphasized that “recent private sector accounting and reporting scandals have served to reinforce the critical importance of having tough but fair auditor independence standards to protect the public and insure the credibility of the auditing profession.” He again called on other standard-setters “to follow the lead of government auditors by adopting principle-based standards that make clear that auditors are to be independent in both fact and appearance.”

For further information, please contact: U.S. GAO, 441 G Street, N.W., Washington, D.C. 20548, USA; fax: ++(202) 512-4021; e-mail: el@gao.gov; web page: www.gao.gov.

International Fellows Launch Knowledge Sharing Website

The 14 auditors in GAO’s 2002 International Auditor Fellowship Program used the occasion of their August 29, 2002, graduation ceremony to launch a new web site intended to demonstrate their commitment to further knowledge sharing among themselves and with GAO staff.

John Moore of Barbados, who spoke on behalf of the class of 2002 at

the graduation ceremony, said the “Fellows Forum” web site demonstrates the fellows’ commitment to knowledge sharing and keeping in touch with each other after they return to their individual audit offices. The site (<http://zverebi.gol.ge/gao>), designed by fellow Roman Bokeria and his staff at the SAI of the Republic of Georgia, includes contact information on each member of the class of 2002, links to their SAIs’ websites, and a forum for members to carry on discussions of issues of mutual interest and concern.

Noting that the site will help the fellows as they seek to address common challenges that have no boundaries, Comptroller General Walker challenged the graduates to take the knowledge they have gained at GAO back to their respective supreme audit institutions and leverage it by sharing with others. “The success of the program is measured in part by how successful graduates are when they return to their supreme audit institutions,” Walker said.

For more information contact: U. S. General Accounting Office, room 7814, 441 G Street NW, Washington, D.C. 20548 USA; fax: 202-512-4021; e-mail: el@gao.gov. ■

Contributions and Challenges in the Fight Against Corruption – an Auditor General’s Perspective

By Mr. Fred M. Siame, Auditor General of Zambia

The role of the Auditor General in the Republic of Zambia is to provide audit services to government and other institutions in order to promote accountability, economy, efficiency, and effectiveness in the collection, disbursement, and utilization of funds and other resources for the benefit of society. The Auditor General seeks to satisfy this role by encouraging honest, efficient management and full accountability throughout the government and other institutions receiving grants and other subventions from the government. Therefore, the Office of the Auditor General serves the public interest by issuing reports to Parliament that point out areas that require monitoring and strengthening by the management.

These laws do not specifically empower the Auditor General to directly audit issues pertaining to corrupt practices. However, the application of audit tests and checks is instrumental in revealing areas of risk on which management of the audited entities is required to take corrective action. Therefore, the power to fight and combat corrupt practices rests with the executive authority of an organization. In the government setup, the executive authority is at two levels. The first is cabinet level (ministers), where policies and priorities are set, and the second level is the civil service, which is headed by a Parliament Secretary who is operationally the Chief Executive and Controlling Officer of the ministry. The civil service assists the ministers in implementing policies and achieving set goals. In carrying out its duties, the civil service uses resources provided by Parliament for which it must account. Therefore, the work of the Auditor General is to check whether the implementation of the programs is in accordance with the policies and priorities and intentions of Parliament.

Causes of Corruption

Corruption occurs in almost all the countries around the world. Media reports of corrupt practices that have been uncovered provide evidence that the scourge is not only limited to developing countries. However, the impact of corruption on the public in developing countries is more severe than in developed countries.

Corruption takes place because of a lack of accountability and transparency on the part of public integrity systems. As a result, there is widespread perception that the public service has lost its direction, that many elements within the public sector are corrupt, and that many of the private sector firms that transact business with the public sector are also corrupt. The public sees officials, and officials seem to see themselves,

as existing not to provide a service to the public, but as a body that is not accountable to the public it professes to serve.

The environment in which government transacts its business contributes to the increase in corruption. A business environment characterized by poor accounting and financial management systems renders officials susceptible to corrupt practices. In Zambia, there are good accountability systems in place, but some of the officials managing the institutions override such systems and render institutions unaccountable.

The state of the economy is another factor that contributes to the increase in corruption. Poverty is largely blamed for the increase in corruption, as people have to survive and will do anything necessary to ensure that there is food on the table. However, this is not to say that if people are poor then they are corrupt.

Another cause of corruption is greed. This is seen in cases where individuals want to “live above their means.” In such cases, officials want to perpetuate their expensive lifestyles at the expense of the public.

Types of Corruption

We also need to draw a line between administrative corruption, which is the focus of this article, and political corruption. Administrative corruption can be classified into two main categories. The first occurs when services or contracts are provided “according to the rules” and the other when services and contracts are “against the rules.” In the first category, an official is gaining illegally for doing something he/she is ordinarily required to do by law. For example, officials could create unnecessary artificial shortages or make procedures difficult so that only those willing to pay them receive the intended goods or services. Areas that are prone to this kind of practice include issuing of licenses and registration certificates and admitting students into schools and colleges. In the second category, a bribe is paid to obtain services that the official is prohibited from providing. These two categories of corruption can manifest themselves in any of the following forms.

1) Conflict of Interest. This form of corruption occurs when an official stands to profit incidentally from an official act. This could involve awarding a contract to a company in which the official has a financial interest. Various types of conflict of interest situations are encountered from the audit perspective, as will be further elaborated on below.

2) **Bribery.** This occurs when an official accepts money or some other consideration to take a particular course of action or inaction. This type of corruption is rarely uncovered through audits because of lack of audit trail or evidence, especially in cases where the bribes are paid in cash.

3) **Illegal Gratuities.** These are similar to bribery schemes except there is not necessarily an intention to influence a particular business decision. These are also not easily uncovered due to lack of evidence.

4) **Economic Extortion.** This occurs when an official demands money or some other consideration to make a particular business decision. Cases of economic extortion are only uncovered through information obtained from complaints from suppliers of goods and services and when “whistle-blowers” have provided information. Whistle-blowers are individuals who have direct knowledge of the illicit payments and can sometimes provide the evidence to substantiate their claims.

Contributions Towards the Fight Against Corruption

In what ways then has the Auditor General assisted in the fight against corruption? Having addressed the causes and types of corruption and how it occurs, it is clear that the work of the Auditor General has been most successful in the area of conflict of interest and in highlighting risks associated with conflicts of interest. The reports of the Auditor General have pointed out glaring irregularities, such as officials awarding contracts to companies that they have vested interest in. For example:

- The reports of the Auditor General have highlighted irregularities in awarding contracts for procurement of goods and services, such as school desks, blankets, and medicines, without the prior authority of the Tender Board. In certain cases, Tender Board authority is sought after tenders have already been awarded. There are also instances where one company is awarded tenders to manufacture, distribute, and maintain various categories of goods and services ranging from school desks to road rehabilitation.
- Other areas where the work of the Auditor General has been effective concern revelations of overpayments in the procurement of goods and services. These irregularities have been cited in many sectors of the government. Common cases include the procurement of equipment, office supplies, and services.
- Another area that is increasingly becoming a source of concern is third-party transactions. Transactions in this category involve local debts incurred by ministries and the suppliers claimed payments from another ministry, most often the Ministry of Finance. This process results in insufficient documentation to support expenditures, and in some cases, payments have been made in excess of what was due. Also, there are cases

where suppliers have demanded to be paid through the issuance of treasury bills when the original agreement called for cash payments.

- Several irregularities have also been cited in the liquidation of public companies wherein the members of the Committee of Inspection have been irregularly appointed, thereby rendering the oversight responsibility of the committee ineffective.
- The reports of the Auditor General have also highlighted cases where advance payments were made but goods and services were not delivered. This is another area of risk, as the institutions are denied the necessary tools and services essential in carrying out their work.

The cases cited above point out areas of weaknesses in the control environment leading to conflict of interest and other practices contrary to the provision of services to the public. Corrupt officials could easily exploit such weaknesses in the system to perpetuate their unlawful acts. Consequently, executive management needs to be vigilant and ensure that the control environment is constantly reviewed and strengthened.

The findings of the Auditor General are reported to the executive management of the institutions under audit and to Parliament as the representative of the taxpayers. Parliament prescribes the remedial action to be undertaken, but unfortunately, in some cases the recommendations are not implemented. One of the reasons for failure to take corrective action is that the offending officials derive benefits through the irregularities that are being perpetuated. It is incumbent upon Parliament, however, to devise mechanisms to safeguard the public interest. Some of the measures could include budget cuts in cases of noncompliance.

Challenges in the Fight Against Corruption

The role of audit renders credibility to the government accounting systems by certifying the data presented by executive management. The Office of the Auditor General recognizes that the traditional methods and approaches to auditing are no longer effective at addressing the needs of society for credible information. The impact of some of the weaknesses identified in the public sector can only be properly analyzed through use of new audit techniques such as performance auditing, forensic auditing, and information technology auditing. However, the staff members of the Office of the Auditor General may not have the requisite skills in some of the new audit techniques. For this reason, the office has initiated training programs that are intended to build capacity and competencies in these new areas.

The Office of the Auditor General also realizes the importance of increasing the scope of its coverage in order to promote accountability and transparency at all levels of the government. It is for this reason that the office has proposed

decentralizing to the provincial and, subsequently, district levels as these are the levels at which a number of government programs are being implemented.

There is also a need to strengthen the Office of the Auditor General so that it carries out its work more effectively. The issue of independence is basic to ensuring that the office functions effectively. Matters of independence that affect the Office of the Auditor General are in the areas of funding, recruiting, and setting conditions of service. In this light, the Office of the Auditor General has proposed that Parliament grant funding to the office in accordance with the planned scope of work without the executive branch, through the Ministry of Finance, subjecting the budget to cuts and delaying the release of funds. The office has also proposed a law to establish the office as an autonomous body with powers to recruit staff and set its own conditions of service so that competent staff members can be retained by the office.

The Way Forward

It is clear from press reports and other publications that the problem of corruption is increasing, not only in Zambia but also worldwide. To eradicate the scourge, there is need for close collaboration between institutions that have been set up to promote accountability, transparency, and the rule of law and the civil society in its lobbying efforts. There needs to be joint training sessions where information can be exchanged and corrective actions can be proposed.

Awareness campaigns, including publishing corruption literatures in local languages, should continue so that the general public is not only sensitized but also constantly reminded that corruption is a problem. The public also needs to be told about the impact of the problem through concrete examples of the problems that result from corruption.

As their awareness increases, the people will also need protection from being victimized should they come forward with information about corrupt practices. Without some measure of protection, citizens will fear reprisals should they report cases of corruption. This may necessitate other measures such as establishing anonymous hotlines or allowing other institutions, for example, civil societies, to collect information from informants.

Penalties for offenders should be constantly reviewed and made stiffer so that the law can work as a deterrent to other would-be offenders. Further, the successful prosecution of senior officials who have been charged with corruption will go a long way toward changing the public's perception that the senior officials or "big fish" are easily let off the charges and only the "small fish" are fried.

Above all, preventing, rather than detecting, is the most effective way to combat corruption.

For more information, contact the author at: Office of the Auditor General, Audit House, P.O. Box 50071, Ridgeway, Lusaka, Zambia, Fax: ++260 (1) 25 03 49, E-mail: auditorg@zamnet.zm. ■

Audit of Natural Disaster Assistance Projects: Lessons from Pakistan's Experience

By Mohammed Mohsin Khan, Director General (Government Audit), Office of the Auditor General of Pakistan

Pakistan is a country of diversity not only in its people, cultures, and traditions, but also in its topography. However, its varied topography makes it especially vulnerable to natural disasters. The towering mountains of the Himalayan, Karakoram, and Hindu Kush ranges, including K2, the second highest mountain in the world, are on the northernmost border of the country. When the snow melts, it runs to the Arabian Sea through two of the five major rivers of the country and their tributaries. The melting of the mountain snow during the rainy season leads to the swelling of Indus River and its tributaries, and almost every year they overflow their banks. Every 7 or 8 years, Pakistan has seen severe floods, which have caused deaths and damage to crops, houses, and livestock. In some vulnerable areas, roads and railways are also damaged. Serious floods occurred in 1973, 1974, and 1978. The floods in 1973 inundated 3.6 million hectares, killed 1,600 people, and demolished 3 million huts and houses. Floods in 1995 were also severe, causing extensive damage in all the provinces, damaging roads and highways at various places due to inundation resulting from spillover from rivers and local streams and from heavy rains.

Between periods of flooding, moderate to severe droughts occur. In addition, no part of Pakistan is completely safe from earthquakes although some areas are more vulnerable than others. Two faults, near Quetta and Chaman in Western Pakistan, are the most active (in 1978, more than 62 earthquakes were recorded there in 2 months). In 1935, a major earthquake in Quetta destroyed the entire city; 30,000 lives were lost. Two seismic zones of high intensity are also located in the complex mountains north. Major earthquakes have occurred in this region, and minor ones recur year after year. Desertification and manmade pollution, soil toxicity and erosion, water logging, and salinity further contribute to the potential for natural disasters. Add Pakistan's 3 percent annual population growth rate, rapid urbanization, and commercialization, and the recipe for disaster is complete.

Audit of Natural Disaster Assistance Projects—Pakistan's Experience

Against this backdrop, no government can be oblivious to the need for disaster management programs and their efficient, economical, and effective operation. From 1990 through 1992, the federal government launched the Prime Minister's Disaster Relief Fund (PMDRF) in all four provinces of Pakistan. A total of Rs.245.470 million was allocated to provide relief to those affected by natural calamities. Thereafter, additional funds

were released from the Zakat (a religious tax levied for poverty alleviation). In 1999, the executive agencies concerned requested that the Auditor General do a special audit of the PMDRF and of subsequent releases. The audit was basically a regularity audit, but a performance audit orientation did exist in cases where project audits were conducted. The auditors

- identified the objectives of the project;
- audited the project planning and financing processes and commented on project viability;
- identified failures (such as defective planning and cost and time overruns) and linked them to systemic weaknesses;
- made recommendations on ongoing projects;
- conducted sample-based audits and categorized irregularities/audit findings following the audit findings guidelines issued by the Auditor General.

Table 1 presents a sample from an audit report.

Sr. Number	Title	Number of Cases	Amount (Rs. in millions)
1	Fraud, misuse, and embezzlement	2	21.789
2	Violation of rules	4	03.289
3	Recoverable	2	04.709
4	Unavailability of complete records	1	90.791
	Total	9	120.578

The audit reports provided details on the information above regarding the various categories (e.g., type of irregularity and operating procedure, place of occurrence, responsibility centers, and action taken to report criminal action). Major irregularities related to procurement and distribution procedure

of relief goods, including foodstuffs. Major findings on systemic issues were as follows.

- In most cases, proper accounting records and audit trails were absent.
- Distribution was made in certain cases without properly identifying the real victims of the disasters.
- In many areas, internal control was almost nonexistent, and where some procedures existed, there was overlap and the instructions were not followed.
- Proper guidelines were not prepared.
- Lack of training in financial management procedures was identified as a major cause of rule violations.
- Most system collapses occurred because the standard financial management procedure for government operations was compromised in favor of procedures intended to speed up operations and cut red tape.
- Payments were made for purposes other than disaster relief (e.g., purchase of air conditioners and water coolers for the offices of district officers who were given additional duties for disaster relief). In their responses, the executive agencies tried erroneously to establish links, thus pointing toward faulty planning.
- The system did not ensure income tax deductions from contractors.

Performance audits of disaster relief/prevention projects presented difficult challenges for the auditors, mostly because of the technical nature of the projects, especially those relating to disaster prevention. Multidisciplinary audit teams may be required for the assignments. One such audit, conducted in 2000 by the Auditor General, was of the Flood Protection Project in the Province of Punjab. The objective of the project was to reduce urban and rural flood damage and human suffering, to increase protection of agricultural land and infrastructure, and to set up communications systems in villages and cities. The methodology was to construct flood protection structures like spurs and protective walls. The project was to be completed in 5 years but took 9 years. The performance audit of this project did not focus on financial irregularities, as in the case of the previous example cited, nor was a breakdown provided, as in the case of the Baluchistan project. Instead, the main findings related to the following management performance issues.

- Overall results of project indicated that the feasibility study was not done properly. The main indicator of this was that 8 schemes, costing Rs114.29 million, were added to the original 5 schemes, which cost Rs79.50 million, for a total of 13 schemes costing Rs233.79 million. Furthermore, 11 more schemes were added later to these 13, making a total of 24 schemes, as opposed to the original 5 schemes approved.

- The design of spurs was changed while executing the work.
- The spurs were not necessary because the floodwater had never exceeded past levels.
- The competent authority—the Economic Committee of the National Economic Council, the country’s highest-level project approving body—did not approve the 11 schemes that the executing agencies added.
- While the executing authorities managed to save Rs. 153.087 million on the 13 schemes, instead of surrendering the amount, they diverted it to the 11 schemes that the competent authority had not approved, a serious violation of financial rules.
- Defective work was carried out on three spurs. Newly constructed spurs had to be restored even though no flood occurred and very little water passed through them.
- According to the performance audit, faulty reimbursement procedures resulted in the contractor stopping work many times. It took 2 to 3 months for a single bill to clear.

Appropriate recommendations were made to the government of Punjab, particularly regarding the urgent need to simplify the payment procedure for disaster prevention projects. (Had a flood occurred during the delays, more explanations would have been required).

In view of the irregularities identified during disaster management and prevention programs, the Cabinet Division has asked the Auditor General to conduct special audits of all the projects financed by the PMDRF.

In addition to the projects mentioned above, the Auditor General is also conducting special audits of environment regulatory authorities. One such project focuses on the impact of toxic discharge from tanneries located in the city of Kasur and the role played by the concerned regulatory authority in preventing it. This topic is of a technical nature and requires special expertise for which outsourcing is being done. Another audit is on the environmental impact of the extensive planting of eucalyptus trees in Malakand Division of the North-West Frontier Province of Pakistan. The potential disaster lies in the dramatic lowering of the water table in the area, which could seriously affect the area’s only source of irrigation, subsoil water.

Recently, Pakistan initiated its US\$130 million Drought Emergency Relief Assistance (DERA) project, which was funded by the World Bank and the Asian Development Bank. The project is intended to provide relief to areas affected in last year’s drought. An interesting feature of the project is that the Auditor General and the Controller General of Accounts are involved in the project’s planning. Both have provided input on the accounting procedures and the external financial

attest. The Auditor General has set up internal control structures in the executing agencies. Consultants are to be hired, as proposed by the Asian Development Bank. The Auditor General has also insisted on establishing the payment procedure through existing channels wherein a pre-audit is ensured by the setup of the Controller General of Accounts. This procedure, in fact, ensures real-time internal audit.

Although the Auditor General's audits relating to disaster relief and prevention projects are mostly an ex-post facto exercise, there is an increasing awareness of the need for real-time audits. An initiative is currently under way to evaluate the ability and state of readiness of disaster management agencies to handle major earthquakes, nuclear confrontation, and other disasters. In Islamabad, Pakistan's capital city, where no skyscrapers are permitted, a multistoried building was recently destroyed by fire because the firefighters could not reach some of the upper floors. Reportedly, no fire engine was equipped with a ladder tall enough to reach those floors. In a country that is threatened by so many potential natural and manmade disasters, the state of readiness of the disaster relief agencies must be assured. The Auditor General has decided to take the initiative in establishing the need to address this important issue.

Issues and Lessons Learned

Certain issues and lessons learned have been derived from the special audit done on disaster relief projects in Pakistan. Disaster management is, in fact, crisis management. Not all crises can be anticipated, and even those that can be characterized by unanticipated events. Ideally, the government should address the audit and financial management issues preventively and prepare guidelines for categorized disaster relief or management projects. These guidelines should spell out procedures from financial releases to further authorization and payment checks and other internal controls. Where this has not been done, case-by-case audit involvement may be

required by law, as is the case in Pakistan, during the development of accounting and control procedures, formats, and the system's functions.

Another important issue regarding audit evidence in disaster relief projects is whether one can meet the requirements of sufficiency and relevance. The issue of obtaining recipient confirmation should be resolved by evaluating various possibilities. Sometimes the administrative heads at the county or district level are required to certify, for instance, distribution of relief goods to intended beneficiaries.

Another problem area is the level of expertise required to do audits where specialized knowledge or skills are required. This issue can be resolved either by having in-house multidisciplinary teams or by outsourcing. Evaluation of flood prevention projects or environmental projects has necessitated this in Pakistan. In a case where the services of an expert—for example, an environmental specialist or an engineer—are acquired, it may be essential that auditors also be a part of the evaluation team in order to ensure the right skill mix.

Timeliness of audit exercise also becomes important, mainly because corrective measures are taken to prevent any disaster management project from becoming a disaster itself and to ensure timely and effective accountability.

To conclude, it is important to note that certain people and institutions can take advantage of a disaster situation. Some may do so unintentionally because of the emergency nature of the crisis. This can happen at various stages of disaster management projects, including the planning and execution stages. The need for planning for disaster management projects, including audit of such projects, is imperative. Failure to do so could cause a disaster of another kind.

For more information contact: Office of the Auditor General of Pakistan, Constitution Avenue, Islamabad 44000, Pakistan, Fax: 92 (51) 922 40 85, e-mail: saipak@isbcomsats.net.pk. ■

Audit Profile: Chamber of Control of Georgia

By Mr. Roman Bokeria, Head of Department and Member of the Presidium of the Chamber of Control of Georgia and Mr. Sulkhan Molashvili, Chairman of the Chamber of Control of Georgia, and Chairman of the Presidium of the Chamber of Control of Georgia

Georgia is located in the western part of the Caucasus Mountain range and includes a territory of 69.7 thousand square kilometers. To the west, it is bordered by the Black Sea, while to the north and the south it is bordered by the mountains. Georgia's neighbors are Azerbaijan, Turkey, Russia, and Armenia, and it shares close economic and cultural ties with these nations.

Historical Development

The Chamber of Control of Georgia has a very limited history of development. In June 1918, during the existence of the Georgian Democratic Republic, the Law of the Chamber of Control of Georgia was issued. In the Republic of Georgia's 1921 constitution, the Chamber of Control of Georgia was named the country's supreme audit institution (SAI). In 1921, the Soviet army annexed Georgia and the Chamber of Control became part of the USSR's national control machine for the next 70 years.

In spite of Soviet dictatorship, Georgia never ceased to struggle for independence, which it first announced in 1991. The USSR's former Minister of Foreign Affairs, Mr. Eduard Shevardnadze, played a significant role in making Georgia an independent nation. He is now the President of Georgia and applauded for his brave actions that saved the country from much bloodshed. Today he successfully manages Georgia's transformation into an equal member of the international community. In June 1992, the Chamber of Control of Georgia was reestablished. Georgia's 1995 constitution confirms that the Chamber of Control of Georgia is the country's SAI. The law governing the Chamber of Control was approved in April 1993 and amended in 1996.

In April 1997, Parliament adopted a new law governing the Chamber of Control. The chamber has been a member of INTOSAI since 1992 and a member of EUROSAI since 1993.

On May 30, 2000, by the proposal of the President of Georgia, Parliament elected Mr. Sulkhan Molashvili as Chairman of the Chamber of Control of Georgia. In July 2000, by the proposal of Chairman Molashvili, Parliament elected new members of the Presidium of the Chamber of Control.

Since the appointment of the new members of management, the Chamber of Control began its structural reorganization and institutional development program, thanks to financial assistance and technical support of the United States' Department of Justice, Department of the Treasury, and Agency

for International Development (USAID) and the European Union. According to the program's first part, the chamber did the following:

- Implemented a new organizational structure in accordance with international SAI standards.
- Established two well-organized regional departments—East and West—instead of the 12 former bureaus.
- Established the testing examination and competition process, as a result of which chamber staff's skill levels were enhanced and the staff size was reduced from 800 to 700 employees, including 200 newly hired, highly qualified experts.
- Published its quarterly informational journal and designed its Web site. Published information includes annual and semiannual reports of the chamber, important documentation and materials, all primary auditing reports, and other relevant materials. As a result of such innovations, all of the chamber's activities are transparent and open for review by Georgian and international society.
- Started American Bar Association training program for its Special Investigation Unit to strengthen its relationship with the general prosecutor's office and other law enforcement agencies. As a result, the Special Investigation Unit is now responsible for investigating criminal cases during compliance or financial audit processes.

Legal Authority and Independence

According to Georgia's constitution and law governing the Chamber of Control, it is an independent SAI. The chamber is the supreme body and is responsible for the country's finance and economic control and works on behalf of Parliament. It supervises the use and expenditure of the state funds and other material treasuries; secures the national wealth and state property; controls and audits to ensure the legal, purposeful, economical, and effective use of the state material and monetary resources.

The Chamber of Control's authority, within its competence, is valid for all bodies of legislative, executive, and judicial authorities; local government bodies; special state funds; the National Bank of Georgia; and all other government-related organizations and entities.

The Chamber of Control has financial, constitutional, and organizational independence, and thus meets the SAI requirements for independence (based on the Lima Declaration).

Organization

The Chairman of the Chamber of Control of Georgia is elected by Parliament based on the proposal of the President. The Chairman's term of office is 5 years, and the Chairman may be reelected twice after the first election. The Chairman can be removed from office only by Parliament and only in cases of criminal offenses and on the proposal of at least one-third of the members of Parliament and with the consent of the majority. Members of the Presidium can be removed upon the Chairman's request to Parliament or the President.

The Presidium is highest managing body of the Chamber of Control and includes 13 members: the Chairman, who is head of the Presidium; the Chairman's deputies; the heads of departments; and the heads of the chambers of control of Georgia's autonomous republics. Half of the members of the Presidium are appointed by the President and the other half are elected by Parliament based on the Chairman's proposal.

The Chamber's Work

Georgia's Chamber of Control principally carries out financial and compliance audits. In November 2001, the chamber began performance auditing, and its Department of Reforms and International Relations first implemented performance or "value for money" audits of the Georgian diplomatic presentation in the United Kingdom. In 2000, at the President's and Parliament's request, the chamber began anticorruption investigation of criminal cases, with financial and technical support from the United States.

Reporting

Georgia's Chamber of Control creates strategic plans and accordingly approves annual auditing plans. If there are findings, the Chairman decides to whom these reports must be issued: Parliament, the President, and/or specific ministries. The chamber also issues annual and semiannual budget implementation reports that are reviewed by Parliament.

Human Resource Management

The Chamber of Control's professional staff members are trained accountants, economists, and lawyers. Thanks to the U.S. Department of Justice's technical and financial assistance and support, and the support of USAID, the U.S. Department of the Treasury, and professors from Tbilisi State University, the chamber organized its testing examination and competition process. During the implementation, 1,000 professional questions were prepared; all staff members of the central and

regional units of the chamber were trained; and 3,000 books, including all relevant materials and documentation, were published and delivered to all internal and external participants free of charge. The entire process was implemented under international experts' strict supervisory control. As a result of the process, the chamber was able to enhance its staff members' skill levels and reduced its staff from 800 to 700 employees, which includes 200 newly hired, highly qualified professionals. After the process was completed, all independent observers from government organizations, nongovernmental organizations, international organizations, foreign embassies, newspapers, and television were shown that the process was well-organized, transparent, objective, and highly professional.

Future Prospects

State Sector Auditors Regional Training Academy and State Sector Audit Council. With the technical assistance of the European Union, USAID, U.S. Department of the Treasury, and U.S. Department of Justice, the Chamber of Control prepared the program and approximated the budget for establishing and developing the Georgian State Sector Auditors Regional Training Academy and State Sector Audit Council. Both organizations are mentioned in amendments to the law governing the Chamber of Control. The State Sector Auditors Regional Training Academy would educate and certify chamber employees and other employees, according to international standards of accounting and auditing, for ministries' and departments' internal control unit staffs. The academy would also train auditors from SAIs of the Commonwealth of Independent States. The State Sector Audit Council would supervise and license state auditors after relevant education at and certification from the academy.

European Union. Georgia's government requested in July 2001 that the European Expert Council start implementing the Technical Assistance Program for the Chamber of Control. In January 2002, the first stage of the program was finished and in September 2002, the second stage began. During the program, international experts, with the assistance of the chamber's staff, prepared the Law of Financial Control, amendments to the law governing the Chamber of Control, and audit standards—in accordance with international audit methodology and the code of ethics of the chamber, future strategic development plans for the chamber, and the program and budget for establishing and developing Georgia's State Sector Auditors Regional Training Academy and State Sector Audit Council.

GTZ Technical Assistance Program for Chamber of Control. In October 2001, an agreement was signed by the Chamber of Control and the German Technical Assistance Organization (GTZ). According to the terms of the agreement, GTZ, along with the European Union, is going to develop a technical assistance program for the chamber at the beginning of 2003. The program would establish a special computerized system for monitoring Georgia's daily financial and economic activity.

Conclusion

Today, Georgia's main goals are to become a member of the European Union and the North Atlantic Treaty Organization. To do this, it is crucial that the nation's SAI conducts its work in accordance with international standards. Accordingly, the Presidium of the Chamber of Control decided to implement its performance auditing standards through the Department of Reforms and International Relations and through

the chamber's training center, which will be established at the beginning of 2003. As a result of the chamber's performance auditing activities, Georgia will get a clear picture of the steps, the time period, and the agencies the nation needs to achieve its aims.

For more information, please contact the Chamber of Control of Georgia, 96 Ketevan Tsamebuli Avenue, Tbilisi, 380044, Georgia; fax: ++ (995 32) 954469 or ++ (995 32) 958849; e-mail: chamber@gol.ge; website: <http://chamber.gol.ge>. ■

Reports in Print

Recent changes by The Institute of Internal Auditors (IIA) to its *Standards for the Professional Practice of Internal Auditing* and subsequent alterations to corresponding Practice Advisories have created a need for updated guidance for the internal audit profession. In response to that need, the IIA has published the fourth edition of its *Quality Assessment Manual*, reflecting changes to the *Standards* and evolving internal audit best practices. Since the publication of the last edition, internal audit activity has increased its involvement in corporate governance by aligning audit goals with organizational objectives, providing consulting services in addition to traditional assurances, and broadening its focus to include business risk. The new guidance outlines recent changes to the profession's standards and to the definition of internal auditing that prompted the revision. The publication describes the key elements and considerations for an external review, which should first assess the overall efficiency and effectiveness of the audit activity with respect to its charter. To obtain a copy of the updated publication, **contact the IIA at 249 Maitland Avenue, Altamonte Springs, Florida 32701-4201 U.S.A. (tel: ++407-830-7600, or fax: ++407-831-5171), or visit their website: www.theiia.org.**

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The International Institute of Administrative Sciences has published its new book, *Managing Diversity in the Civil Service*. The book is about diversity in its broadest definition and accents a phenomenon of modern times that affects governments and public services worldwide. Diversity takes multiple forms: age, race, gender, religion, language, values, cultures, social class, etc. Indirectly, by way of globalization and technical progress, diversity produces a great heterogeneity within society. In a world undergoing rapid change, this phenomenon of diversity must be taken into account by public administrations everywhere. Contact the International Institute of Administrative Sciences for a copy of the publication at **IOS Press Nieuwe Hemweg 6B, 1013 BG Amsterdam, The Netherlands, (tel: ++31 20 688 3355 or fax: ++31 20 620 3419).**

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The Canadian Comprehensive Audit Foundation (CCAF) has recently published its book, *Accountability, Performance Reporting, Comprehensive Audit – An Integrated Perspective*. This publication is an invaluable resource for (1) those who

provide or receive performance and governance information, (2) practitioners who want to broaden the scope of internal or external audit, and (3) audit professionals and students. Containing elements of political science, history, audit and accounting, the book offers an integrated picture of the development of accountability concepts, theory and principles; their connection to governance and management; and the role evolution, theory and current practices of performance reporting and auditing. The book focuses on three different areas: first, the fundamental notion of accountability in the public sector; second, reporting principles to guide performance reporting to governing bodies; and third, the theory and practice of the three different models of comprehensive auditing as key assurance mechanisms. Available in English and Spanish. **Contact the CCAF at 55 Murray Street-Suite 210, Ottawa K1N 5M3, Canada (tel: ++613-241-6713, fax: ++613-236-2150, website: www.ccaf-fcvi.com).**

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Auditor independence continues to be a topic of interest in the public and private sector. *Journal* readers may be interested in knowing that the U.S. General Accounting Office has published its *Government Auditing Standards: Answers to Independence Standard Questions*. Issues in three areas of independence are explored in the new publication. They include (1) implementation and transition of the independence standard, (2) underlying concepts, and (3) applying the standard in specific nonaudit circumstances. According to David Walker, Comptroller General of the United States, "audit organizations should take a 'substance over form' approach and consider the nature and significance of the services provided to the audited entity—the facts and circumstances. Before an organization agrees to perform non-audit services, it should carefully consider the need to avoid situations that could lead reasonable third parties with knowledge of the relevant facts and circumstances to conclude that the auditor is not able to maintain independence in conducting audits. It is imperative that auditors always be viewed as independent in fact and appearance".

To obtain a copy of the publication, **write to the U.S. General Accounting Office, 441 G Street NW, Room LM, Washington, DC 20548. (tel: ++202-512-6000 or fax: ++202-512-6061.) Also, visit GAO's website: www.gao.gov to obtain a copy through the website.** ■

Inside INTOSAI



IDI Update

IDI Update keeps you informed of developments in the work and programs of the INTOSAI Development Initiative.

To find out more about IDI and to keep up to date between editions of the Journal look at the IDI website: <http://www.idi.no>.

Environmental Auditing and IDI

IDI has a goal to forge closer relationships with INTOSAI's Standing Committees and Working Groups. At a project meeting between IDI and the Working Group on Environmental Auditing in July 2002, a training program for the regions in this important subject was discussed. A follow-up curriculum meeting will be held in Oslo in November.

IDI Bulletin Board

Final testing is now taking place on the English, Spanish, and French versions of the Bulletin Board, which will enable IDI's graduate Training Specialists around the world to communicate on common issues. It is expected to go live in the final quarter of 2002, with the Arabic version to follow shortly afterwards.

ARABOSAI Training

Eight IDI/ARABOSAI Training Specialists will meet in Amman, Jordan, from September 30 -October 18, 2002 to redesign the 12-week Course Design and Development Workshop and Instructional Techniques Workshop into a 7-week combined workshop.

ASOSAI-Bangkok and Beyond

As mentioned in the last edition of IDI Update, a partnership between ASOSAI, the Asian Development Bank, and IDI will result in 25 new graduate trainers for the region, mostly from countries that currently do not have such trainers. These 25 SAI employees will take part in the Course Design and Instructional Techniques Workshop in Bangkok, Thailand. The subjects chosen for the subsequent regional audit workshop, to be delivered next year, are financial audit and the audit of privatization.

Good Progress in EUROSAI

The first Long Term Regional Training Program (LTRTP) for EUROSAI continued in September with very successful

courses covering fraud awareness and financial audit. Graduates of the LTRTP delivered these courses to 26 delegates from the 13 nations currently applying for membership in the European Union. The final activity, a second regional audit workshop to be held in Cyprus, will take place in February 2003.

The second phase of the EUROSAI project, which will lead to the creation of a pool of graduate training specialists for countries in the Balkans and Central and Eastern Europe, begins in November with a Strategic Planning Workshop in Zagreb, Croatia.

A second collaborative project between EUROSAI and IDI was the meeting of the instructors for the EUROSAI regional audit workshop. The instructors, pictured below, met in Tallinn, Estonia in September 2002 to prepare for the workshop.



The instructor group for the EUROSAI Regional Audit Workshop, held in Tallinn, Estonia, in September. Standing from left to right are: Zoltan Giday (Hungary), Zbyslaw Peter Dobrowolski (Poland), Michaela Pohanková (Czech Republic), Chrysostomos Nicolaou (Cyprus), Tõnis Saar (Estonia); and seated from left to right are: Goranka Kiralj (Slovenia), Aline Vienneau (Subject Matter Expert, Canada), Louiza Avraamides (Cyprus), and Manuela Lavinia Toma (Romania).

Instructional Techniques Workshop in Africa

An IT audit Instructional Techniques Workshop (ITW), funded by IDI, will take place in Lesotho for Anglophone SAIs in Africa towards the end of October. This will be the third ITW of the year for English-speaking African SAIs.

OLACEFS Performance Audit Preparations

In early October 2002, six participants from OLACEFS finalized the course material for a performance audit course

scheduled to be delivered to 25 OLACEFS participants in November in Bolivia. The IDI funded the course materials workshop, which is part of a joint capacity building/technical assistance project with OLACEFS, the Inter-American Development Bank, and the U.S. General Accounting Office.

Contacting IDI

If you would like to discuss any of the issues raised in this edition of IDI Update, please contact IDI in Norway at telephone: ++47 22 24 13 49 or e-mail: idi@idi.no.

OLACEFS Names New President and General Secretariat

At the 12th OLACEFS assembly in Mexico City, September 24-28, 2002, Dr. Clodosbaldo Russian, Comptroller General of Venezuela, was elected to be the President of OLACEFS for 2003-2004. In addition, delegates chose Panama to be the new location for the General Secretariat of OLACEFS for 2003-2008. The Comptroller General's Office of the Republic of Panamá is headed by Dr. Alvin Weeden Gamboa, Comptroller General.

OLACEFS, then called ILACIF, was founded in Venezuela in 1965 and the Presidency and General Secretariat remained there until 1972, when they were moved to Peru. Subsequently it was located in Ecuador, Colombia, Peru, Mexico and finally Peru again for the period 1997-2002. Under new by-law changes, the Presidency has been separated from the General Secretariat with 2- and 6-year terms, respectively.

Havana, Cuba, the venue for the first INTOSAI Congress in 1953, was named as the site of the 13th OLACEFS Assembly, to be held in 2003, INTOSAI's 50th anniversary.



The Auditoria Superior de la Federacion of Mexico hosted the 12th OLACEFS Assembly in September 2002. Pictured above are: Autoro Gonzalez de Aragon, Auditor General of Mexico (left), and Vicente Fox, President of Mexico (right) at the opening ceremony. A full article on the OLACEFS Assembly will appear in the January 2003 issue of the *Journal*.

General Secretariat Issues Circular #63

The General Secretariat has issued Circular #63 which contains an editorial by Secretary General Fiedler, and the minutes of the last two Governing Board meetings in Seoul, Korea. Attached to the Circular is an updated membership directory that includes contact information for INTOSAI's 184 member SAIs, including their e-mail and Internet website addresses.

In his editorial, Dr. Fiedler noted that INTOSAI will commemorate its 50th anniversary in 2003, and he took this occasion to share his reflections on the past, present and future of INTOSAI. In looking back on the organization's 50 year history, he wrote that "One can rightly qualify the past 50 years as a story of success without limitation. This success manifests itself most evidently in the number of INTOSAI members which has risen from less than 30 in the 1950s to more than 180, almost attaining the membership of the United Nations.

It is a telltale sign that the newly founded Supreme Audit Institutions tend to submit their applications for membership in INTOSAI very shortly after their establishment. This testifies to the attractive appeal and the significant role which INTOSAI plays in the international community of nations."

Emphasizing one of INTOSAI's many strengths as an international organization, Dr. Fiedler went on to say that "Another reason for the trust of SAIs, as manifested in the growing number of members, lies in the fact that all members are accorded the same rights, be they large or small states, rich or poor. In this way, the interests of the majority of members are upheld and individual interests are curtailed."

The full text of Dr. Fiedler's editorial is available from the INTOSAI website at www.intosai.org or by writing to the INTOSAI General Secretariat, Dampfschiffstrasse 2, A-1033 Vienna, Austria.

2002/2003 Calendar of INTOSAI Events

October

ASOSAI/IDI Course Design and Instructional Techniques Workshop
Bangkok, Thailand
September 30-November 15

Commonwealth Auditors General Conference
Kuala Lumpur, Malaysia
October 6-10

AFROSAI-French/IDI Regional Audit Workshop
Dakar, Senegal
October 14-16

50th INTOSAI Governing Board Meeting
Vienna, Austria
October 16-18

31st ASOSAI Governing Board Meeting
Manila, Philippines
October 22-24

CAROSAI/IDI Design and Development Workshop
St. Kitts & Nevis
October 28-December 9

2003

January

EUROSAI Regional Training Committee Meeting
Lisbon, Portugal
January 20-22

April

Audit Standards Committee Meeting (Working Group Meeting)
Washington, D.C.
April 3-4

November

IDI/Environmental Auditing Committee Workshop
Oslo, Norway
November 4-5

SPASAI/IDI Strategic Planning Workshop
Zagreb, Croatia
November 11-14

EDP Audit Committee Meeting
New Delhi, India
November 27-29

February

May

December

March

UN/INTOSAI Training Seminar on the Audit of Education
Vienna, Austria
March 31-April 4

June

Editor's Note: This calendar is published in support of INTOSAI's communications strategy and as a way of helping INTOSAI members plan and coordinate schedules. Included in this regular Journal feature will be INTOSAI-wide events and region-wide events such as congresses, general assemblies, and Board meetings. Because of limited space, the many training courses and other professional meetings offered by the regions cannot be included. For additional information, contact the Secretary General of each regional working group.

